

**Township of Hamburg
Livingston County, Michigan**

**Financial Report
with Supplemental Information
June 30, 2008**

Township of Hamburg

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Independent Auditor's Report

To the Members of the Township Board
Township of Hamburg
Livingston County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Hamburg (the "Township") as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Hamburg's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Hamburg Township Library (the "Library"), which is the Township's only discretely presented component unit. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hamburg Township Library, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Hamburg as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Members of the Township Board
Township of Hamburg
Livingston County, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Hamburg's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

October 30, 2008

Township of Hamburg

Management's Discussion and Analysis

Our discussion and analysis of the Township of Hamburg's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2008:

- State-shared revenue, our largest revenue source, experienced a slight increase in fiscal year 2007-2008. The Township received \$46,000 more in 2008 than in 2007. However, since 2002, the Township has seen reductions of over \$200,000 per year, or a drop of approximately 13 percent annually. This is a cumulative reduction of \$1,008,000 since 2002. The Township reacted by cutting back department budgets and spending in order to minimize the negative impact on the General Fund's fund balance.
- Total net assets related to the Township's governmental activities were approximately \$14,451,000, an overall increase from the prior year of approximately \$959,000 or 7.1 percent.

Using this Annual Report

This annual report consists of four parts - the management's discussion and analysis, the basic financial statements, required supplemental information, and other supplemental information that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township. The first statements are the statement of net assets and the statement of activities, which provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The second statements are the fund financial statements, which present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statement provides financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Township of Hamburg

Management's Discussion and Analysis (Continued)

The Township as a Whole

The following table shows, in a condensed format, the net assets at June 30, 2008 and 2007 (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current assets	\$ 6,800	\$ 5,650	\$ 8,459	\$ 9,552	\$ 15,259	\$ 15,202
Noncurrent assets	<u>14,561</u>	<u>12,961</u>	<u>40,625</u>	<u>40,294</u>	<u>55,186</u>	<u>53,255</u>
Total assets	21,361	18,611	49,084	49,846	70,445	68,457
Liabilities						
Current liabilities	2,157	1,565	2,049	2,128	4,206	3,693
Long-term liabilities	<u>4,753</u>	<u>3,554</u>	<u>17,272</u>	<u>18,676</u>	<u>22,025</u>	<u>22,230</u>
Total liabilities	<u>6,910</u>	<u>5,119</u>	<u>19,321</u>	<u>20,804</u>	<u>26,231</u>	<u>25,923</u>
Net Assets						
Invested in capital assets -						
Net of related debt	5,679	5,643	11,009	10,392	16,688	16,035
Restricted	2,027	1,896	17,428	7,440	19,455	9,336
Unrestricted	<u>6,745</u>	<u>5,953</u>	<u>1,326</u>	<u>11,210</u>	<u>8,071</u>	<u>17,163</u>
Total net assets	<u>\$ 14,451</u>	<u>\$ 13,492</u>	<u>\$ 29,763</u>	<u>\$ 29,042</u>	<u>\$ 44,214</u>	<u>\$ 42,534</u>

The Township's combined net assets increased by almost 4 percent from a year ago - increasing to approximately \$44,214,000. The governmental activities comprise approximately \$14,451,000, up from \$13,492,000, while the business-type activities, the Sewer Fund and Water System Fund, make up approximately \$29,763,000, an increase of almost 2.5 percent from a year ago.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations - are approximately \$6,745,000 for the governmental activities. Unrestricted net assets for the business-type activities are approximately \$1,326,000.

Township of Hamburg

Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets during 2008 and 2007 (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenue						
Program revenue:						
Charges for services	\$ 985	\$ 1,031	\$ 1,198	\$ 1,242	\$ 2,183	\$ 2,273
Operating grants and contributions	46	365	-	112	46	477
Capital grants and contributions	233	354	1,649	476	1,882	830
General revenue:						
Property taxes	3,651	3,212	-	-	3,651	3,212
State-shared revenue	1,425	1,379	-	-	1,425	1,379
Unrestricted investment earnings	62	675	936	1,060	998	1,735
Franchise fees	344	207	-	-	344	207
Transfers	(93)	(270)	93	270	-	-
(Loss) gain on sale of capital asset	(5)	21	-	-	(5)	21
Total revenue	6,648	6,974	3,876	3,160	10,524	10,134
Program Expenses						
General government	1,772	1,724	-	-	1,772	1,724
Public safety	2,874	3,023	-	-	2,874	3,023
Public works	562	624	-	-	562	624
Recreation and culture	280	290	-	-	280	290
Interest on long-term debt	201	262	-	-	201	262
Water and sewer	-	-	3,156	2,956	3,156	2,956
Total program expenses	5,689	5,923	3,156	2,956	8,845	8,879
Change in Net Assets	\$ 959	\$ 1,051	\$ 720	\$ 204	\$ 1,679	\$ 1,255

Governmental Activities

The Township's total governmental revenues totaled \$6.648 million, with state revenue sharing representing \$1.425 million or 21 percent. Although the State has acted to stabilize levels of revenue sharing for 2009, the State's ongoing financial difficulties will continue to be a concern during the upcoming year.

Expenses for the fiscal year were approximately \$5,689,000. Increases in healthcare costs, legal costs, property insurance rates, and legal liability insurance premiums continued to create a budget challenge. To offset this, the Township closely monitored its spending in all other areas, resulting in a net increase in net assets of approximately \$959,000.

Township of Hamburg

Management's Discussion and Analysis (Continued)

Business-type Activities

The Township's business-type activities consist of the Sewer Fund and the Water System Fund. We provide sewage treatment through a Township owned and operated sewage treatment plant, as well as through the use of a plant owned and operated by a neighboring community. The Township will start building Phase I of its municipal water delivery service in September 2008, using a Special Assessment District to arrange the financing through a bond to be issued July 2008. The water district will include mostly businesses and perhaps a few residential properties. The construction is expected to be completed in November 2008.

The Township's Funds

Our analysis of the Township's major funds follows the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2007-2008 include the General Fund, the Police Special Revenue Fund, the Fire Special Revenue Fund, the Capital Improvement Building Debt Service Fund, and the Capital Projects Fund.

The General Fund pays for most of the Township's governmental services. The most significant is police, which depended on the General Fund for \$619,567 for the year ended June 30, 2008. Both the police and fire services are also supported by separate police and fire millages, which are recorded in the Police Special Revenue Fund and the Fire Special Revenue Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. However, no significant changes to the budget were made.

Capital Asset and Debt Administration

At the end of fiscal year 2008, the Township had \$39,842,000 invested in a broad range of capital assets, including buildings, police and fire equipment, and sewer lines. In addition, the Township has approximately \$2,942,000 and \$2,169,000 invested in the Portage - Base Lakes Water and Sewer Authority and the Livingston Community Water Authority, respectively.

Township of Hamburg

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

The Township's budget for next year will need to be watched very closely once again, especially relating to the General Fund. This needs to be done since revenue sharing is a very big concern for the Township. The State of Michigan is experiencing significant budgeting problems, and as it looks for solutions, revenue sharing continues to be under attack.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township clerk's office at (810) 231-1000.

Township of Hamburg

Statement of Net Assets June 30, 2008

	Primary Government			Component
	Governmental	Business-type		Unit - Library
	Activities	Activities	Total	
Assets				
Cash and investments (Note 2)	\$ 4,956,317	\$ 1,265	\$ 4,957,582	\$ 1,539,749
Cash restricted for capital (Note 11)	-	7,012,528	7,012,528	-
Receivables:				
Customers and other	120,755	399,442	520,197	9,758
Special assessments	642,557	-	642,557	-
Internal balances	790,588	(790,588)	-	-
Due from other governmental units	244,755	134,400	379,155	6,771
Inventories	-	349,296	349,296	-
Other assets	45,150	32,017	77,167	311
Restricted assets (Note 2)	-	1,138,054	1,138,054	-
Assets restricted for capital and debt (Note 11):				
Current	-	1,432,101	1,432,101	-
Noncurrent	-	8,983,588	8,983,588	-
Investment in joint venture (Note 9)	2,942,162	2,168,962	5,111,124	-
Capital assets - Net (Note 5):				
Nondepreciated	3,155,740	2,525,032	5,680,772	-
Depreciated	8,463,081	25,697,671	34,160,752	257,053
Total assets	21,361,105	49,083,768	70,444,873	1,813,642
Liabilities				
Accounts payable	375,007	178,732	553,739	13,865
Accrued and other liabilities	189,328	553,336	742,664	7,663
Noncurrent liabilities (Note 6):				
Due within one year	1,592,580	1,316,808	2,909,388	-
Due in more than one year	4,753,326	17,271,647	22,024,973	21,164
Total liabilities	6,910,241	19,320,523	26,230,764	42,692
Net Assets				
Invested in capital assets - Net of related debt	5,679,267	11,009,423	16,688,690	257,053
Restricted:				
Police and fire	773,050	-	773,050	-
Debt service	974,501	-	974,501	-
Capital projects	193,209	17,428,217	17,621,426	-
Cemetery expenditures	85,685	-	85,685	-
Unrestricted	6,745,152	1,325,605	8,070,757	1,513,897
Total net assets	\$ 14,450,864	\$ 29,763,245	\$ 44,214,109	\$ 1,770,950

Township of Hamburg

		Program Revenues		
		Charges for	Operating Grants and Contributions	Capital Grants and Contributions
	Expenses	Services		
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 1,771,787	\$ 735,070	\$ 13,215	\$ -
Public safety	2,874,403	39,378	17,324	232,641
Public works	562,191	198,373	-	-
Recreation and culture	280,427	11,866	15,000	-
Interest on long-term debt	198,476	-	-	-
Total governmental activities	5,687,284	984,687	45,539	232,641
Business-type activity - Water and sewer	3,155,529	1,198,442	-	1,649,492
Total primary government	<u>\$ 8,842,813</u>	<u>\$ 2,183,129</u>	<u>\$ 45,539</u>	<u>\$ 1,882,133</u>
Component unit - Library	<u>\$ 635,576</u>	<u>\$ 19,179</u>	<u>\$ 82,934</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted investment earnings				
Franchise fees				
Transfers				
Special item - Gain on sale of capital assets				
Total general revenues, transfers, and special item				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2008

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit - Library
Governmental Activities	Business-type Activities	Total	
\$ (1,023,502)	\$ -	\$ (1,023,502)	\$ -
(2,585,060)	-	(2,585,060)	-
(363,818)	-	(363,818)	-
(253,561)	-	(253,561)	-
(198,476)	-	(198,476)	-
(4,424,417)	-	(4,424,417)	-
-	(307,595)	(307,595)	-
(4,424,417)	(307,595)	(4,732,012)	-
-	-	-	(533,463)
3,650,534	-	3,650,534	463,074
1,424,617	-	1,424,617	13,466
62,152	935,614	997,766	63,674
343,795	-	343,795	-
(92,902)	92,902	-	-
(4,590)	-	(4,590)	-
5,383,606	1,028,516	6,412,122	540,214
959,189	720,921	1,680,110	6,751
13,491,675	29,042,324	42,533,999	1,764,199
\$ 14,450,864	\$ 29,763,245	\$ 44,214,109	\$ 1,770,950

Township of Hamburg

Governmental Funds Balance Sheet June 30, 2008

	General Fund	Police Special Revenue Fund	Fire Special Revenue Fund	Capital Improvement Building Debt Service Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and investments (Note 2)	\$ 1,229,359	\$ 10,174	\$ 1,046,628	\$ 72,445	\$ 1,182,861	\$ 1,414,850	\$ 4,956,317
Accounts receivable:							
Customers and other	92,935	1,321	26,499	-	-	-	120,755
Special assessments	186,227	-	-	-	-	456,330	642,557
Due from other governmental units	244,755	-	-	-	-	-	244,755
Due from other funds (Note 4)	86,216	14,001	-	-	3,157	18,072	121,446
Advances to other funds (Note 4)	805,237	-	-	-	-	-	805,237
Other assets	10,185	23,354	11,611	-	-	-	45,150
Total assets	\$ 2,654,914	\$ 48,850	\$ 1,084,738	\$ 72,445	\$ 1,186,018	\$ 1,889,252	\$ 6,936,217
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 55,680	\$ 25,549	\$ 18,532	\$ -	\$ 268,806	\$ 6,440	\$ 375,007
Due to other funds (Note 4)	32,073	-	2,657	-	5,775	95,590	136,095
Accrued and other liabilities	88,650	21,980	51,882	-	-	30	162,542
Deferred revenue (Note 3)	186,227	-	-	-	-	456,330	642,557
Total liabilities	362,630	47,529	73,071	-	274,581	558,390	1,316,201
Fund Balances							
Reserved in Permanent Fund - Cemetery							
Perpetual Care - Future cemetery expenditures	-	-	-	-	-	84,109	84,109
Reserved for long-term receivable	805,237	-	-	-	-	-	805,237
Unreserved, reported in:							
General Fund:							
Designated for recreation plan	14,000	-	-	-	-	-	14,000
Undesignated	1,473,047	-	-	-	-	-	1,473,047
Special Revenue Funds -							
Undesignated	-	1,321	1,011,667	-	-	579,456	1,592,444
Debt Service Funds	-	-	-	72,445	-	474,088	546,533
Capital Project Funds	-	-	-	-	911,437	193,209	1,104,646
Total fund balances	2,292,284	1,321	1,011,667	72,445	911,437	1,330,862	5,620,016
Total liabilities and fund balances	\$ 2,654,914	\$ 48,850	\$ 1,084,738	\$ 72,445	\$ 1,186,018	\$ 1,889,252	\$ 6,936,217

Township of Hamburg

Governmental Funds Reconciliation of Fund Balances to the Statement of Net Assets Year Ended June 30, 2008

Total Fund Balances of Governmental Activities	\$ 5,620,016
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Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	11,618,821
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	642,558
Investment in joint venture is not a financial resource and is not reported in the funds	2,942,162
Long-term liabilities, including compensated absences, are not due and payable in the current period and are not reported in the funds	(6,345,906)
Interest amounts on long-term liabilities are not payable until due in the funds	<u>(26,787)</u>

Net Assets of Governmental Activities	<u>\$ 14,450,864</u>
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Township of Hamburg

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2008

	General Fund	Police Special Revenue Fund	Fire Special Revenue Fund	Capital Improvement Building Debt Service Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue							
Property taxes	\$ 878,907	\$ 962,918	\$ 920,950	\$ 474,175	\$ -	\$ 413,584	\$ 3,650,534
Special assessments	51,025	-	-	-	-	147,348	198,373
Licenses and permits	357,972	-	-	-	-	-	357,972
State sources	1,437,832	-	-	-	15,000	-	1,452,832
Federal sources	-	15,297	2,027	-	-	-	17,324
Charges for services	660,193	11,823	-	-	-	45,214	717,230
Fines and forfeitures	-	15,966	-	-	-	232,641	248,607
Interest and other	122,405	6,806	22,928	2,111	55,517	55,989	265,756
Proceeds from sale of capital assets	-	422	-	-	-	-	422
Total revenue	3,508,334	1,013,232	945,905	476,286	70,517	894,776	6,909,050
Expenditures							
Legislative	131,703	-	-	-	-	-	131,703
General government	1,577,148	-	-	-	-	7,473	1,584,621
Public safety	213,846	1,783,550	782,806	-	-	10,118	2,790,320
Public works	243,918	-	-	-	-	14,000	257,918
Health and welfare	79,634	-	-	-	-	-	79,634
Recreation and culture	32,139	-	-	-	-	-	32,139
Debt service	268,858	-	229,052	984,053	338,520	706,734	2,527,217
Capital outlay	-	-	-	-	1,995,606	239,546	2,235,152
Total expenditures	2,547,246	1,783,550	1,011,858	984,053	2,334,126	977,871	9,638,704
Excess of Revenue Over (Under) Expenditures	961,088	(770,318)	(65,953)	(507,767)	(2,263,609)	(83,095)	(2,729,654)
Other Financing Sources (Uses)							
Proceeds from long-term debt issue	-	-	-	-	3,744,158	170,000	3,914,158
Transfers in (Note 4)	40,706	968,807	725,894	493,653	79,792	102,888	2,411,740
Transfers out (Note 4)	(1,144,537)	(197,207)	(154,612)	-	(739,022)	(269,264)	(2,504,642)
Total other financing sources (uses)	(1,103,831)	771,600	571,282	493,653	3,084,928	3,624	3,821,256
Net Change in Fund Balances	(142,743)	1,282	505,329	(14,114)	821,319	(79,471)	1,091,602
Fund Balances - Beginning of year	2,435,027	39	506,338	86,559	90,118	1,410,333	4,528,414
Fund Balances - End of year	<u>\$ 2,292,284</u>	<u>\$ 1,321</u>	<u>\$ 1,011,667</u>	<u>\$ 72,445</u>	<u>\$ 911,437</u>	<u>\$ 1,330,862</u>	<u>\$ 5,620,016</u>

Township of Hamburg

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds \$ 1,091,602

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	2,299,435
Depreciation expense	(634,561)

Governmental funds report proceeds from the disposal of capital assets as revenue; in the statement of activities, this amount is reduced by the net book value of the disposed asset (6,812)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end (162,863)

Equity interest in joint venture is not reported in governmental funds (58,880)

Repayment of long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 2,292,696

Proceeds from issuance of long-term debt are reported as financing sources on the statement of activities (3,914,158)

Change in accumulated employee sick and vacation pay is recorded when earned in the statement of activities 6,340

Accrued interest payable is recorded when due in governmental funds 46,390

Change in Net Assets of Governmental Activities \$ 959,189

Township of Hamburg

Proprietary Funds - Enterprise Funds Statement of Net Assets June 30, 2008

	Sewer Fund	Water System Fund	Total
Assets			
Current assets:			
Cash and investments (Note 2)	\$ 201	\$ 1,064	\$ 1,265
Cash restricted for capital (Note 11)	6,999,141	13,387	7,012,528
Customers and other	399,442	-	399,442
Due from other funds (Note 4)	16,708	-	16,708
Due from other governmental units	-	134,400	134,400
Inventories	349,296	-	349,296
Current portion of assets restricted for capital and debt (Note 11)	1,320,619	111,482	1,432,101
Other assets	32,017	-	32,017
Total current assets	9,117,424	260,333	9,377,757
Noncurrent assets:			
Restricted assets (Note 2)	1,138,054	-	1,138,054
Assets restricted for capital and debt - Net of current portion (Note 11)	7,583,453	1,400,135	8,983,588
Investment in joint venture (Note 9)	-	2,168,962	2,168,962
Capital assets - Net (Note 5):			
Nondepreciated	1,896,921	628,111	2,525,032
Depreciated	25,697,671	-	25,697,671
Total noncurrent assets	36,316,099	4,197,208	40,513,307
Total assets	45,433,523	4,457,541	49,891,064
Liabilities			
Current liabilities:			
Accounts payable	135,625	43,107	178,732
Due to other funds (Note 4)	-	2,059	2,059
Accrued and other liabilities	530,182	23,154	553,336
Current portion of long-term debt (Note 6)	1,291,808	25,000	1,316,808
Total current liabilities	1,957,615	93,320	2,050,935
Noncurrent Liabilities			
Advances from other funds (Note 4)	-	805,237	805,237
Long-term debt - Net of current portion (Note 6)	15,371,647	1,900,000	17,271,647
Total noncurrent liabilities	15,371,647	2,705,237	18,076,884
Total liabilities	17,329,262	2,798,557	20,127,819
Net Assets			
Investment in capital assets - Net of related debt	10,941,523	67,900	11,009,423
Restricted for capital projects	15,903,213	1,525,004	17,428,217
Unrestricted	1,259,525	66,080	1,325,605
Total net assets	\$ 28,104,261	\$ 1,658,984	\$ 29,763,245

Township of Hamburg

Proprietary Funds - Enterprise Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2008

	Sewer Fund	Water System Fund	Total
Operating Revenue			
Sewage disposal charges	\$ 842,251	\$ -	\$ 842,251
Debt service charges and other	356,191	-	356,191
Total operating revenue	1,198,442	-	1,198,442
Operating Expenses			
Operation and maintenance	1,542,086	-	1,542,086
Depreciation	741,507	-	741,507
Total operating expenses	2,283,593	-	2,283,593
Operating Loss	(1,085,151)	-	(1,085,151)
Nonoperating Revenue (Expense)			
Investment income	928,895	6,719	935,614
Interest expense	(744,388)	(127,548)	(871,936)
Special assessments revenue	-	1,524,999	1,524,999
Total nonoperating revenue	184,507	1,404,170	1,588,677
(Loss) Gain - Before contributions	(900,644)	1,404,170	503,526
Capital Contributions	124,493	-	124,493
Transfer from Other Funds	-	92,902	92,902
Change in Net Assets	(776,151)	1,497,072	720,921
Net Assets - Beginning of year	28,880,412	161,912	29,042,324
Net Assets - End of year	<u>\$ 28,104,261</u>	<u>\$ 1,658,984</u>	<u>\$ 29,763,245</u>

Township of Hamburg

Proprietary Funds - Enterprise Funds Statement of Cash Flows Year Ended June 30, 2008

	Sewer Fund	Water System Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 882,119	\$ -	\$ 882,119
Payments to suppliers	(861,609)	-	(861,609)
Payments to employees	(493,665)	-	(493,665)
Other receipts	356,191	-	356,191
Interfund activity related to operating activities	(186,972)	-	(186,972)
Net cash used in operating activities	(303,936)	-	(303,936)
Cash Flows from Capital and Related Financing Activities			
Principal and interest paid on long-term debt	(1,890,672)	(152,830)	(2,043,502)
Purchase of capital assets	(302,285)	(222,158)	(524,443)
Collection from developers for the construction of new sewer lines	54,034	-	54,034
Connection fees	70,459	-	70,459
Collection of principal and interest on customer assessments	1,561,512	13,382	1,574,894
Contribution for Water Treatment Plant	-	(369,443)	(369,443)
Interfund activity related to capital items	-	737,719	737,719
Net cash (used in) provided by capital and related financing activities	(506,952)	6,670	(500,282)
Cash Flows from Investing Activities - Interest received on cash and cash equivalents	404,922	6,719	411,641
Net (Decrease) Increase in Cash and Cash Equivalents	(405,966)	13,389	(392,577)
Cash and Cash Equivalents - Beginning of year	8,543,362	1,062	8,544,424
Cash and Cash Equivalents - End of year	<u>\$ 8,137,396</u>	<u>\$ 14,451</u>	<u>\$ 8,151,847</u>
Balance Sheet Classification of Cash and Cash Equivalents			
Cash and investments	\$ 201	\$ 1,064	\$ 1,265
Restricted cash and cash equivalents resulting from bond sale	1,138,054	-	1,138,054
Segregated bank deposits and investments for future capital investments	173,808	-	173,808
Segregated bank deposits and investments resulting from special assessments	6,825,333	13,387	6,838,720
Total cash and cash equivalents	<u>\$ 8,137,396</u>	<u>\$ 14,451</u>	<u>\$ 8,151,847</u>

Township of Hamburg

Proprietary Funds - Enterprise Funds Statement of Cash Flows (Continued) Year Ended June 30, 2008

	Sewer Fund	Water System Fund	Total
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (1,085,151)	\$ -	\$ (1,085,151)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation and amortization	741,507	-	741,507
Changes in assets and liabilities:			
Receivables	39,868	-	39,868
Prepaid expenses	1,388	-	1,388
Accounts payable	541	-	541
Accrued and other liabilities	(30)	-	(30)
Due to other funds	(2,059)	-	(2,059)
Net cash used in operating activities	<u>\$ (303,936)</u>	<u>\$ -</u>	<u>\$ (303,936)</u>

Township of Hamburg

Fiduciary Fund - Agency Fund Statement of Fiduciary Assets and Liabilities June 30, 2008

Assets

Cash and investments (Note 2)	\$ 103,614
Due from other governmental units	<u>14,592</u>
Total assets	<u><u>\$ 118,206</u></u>

Liabilities

Due to other governmental units	\$ 29,900
Performance bonds	66,386
Other	<u>21,920</u>
Total liabilities	<u><u>\$ 118,206</u></u>

Township of Hamburg

Notes to Financial Statements June 30, 2008

Note I - Summary of Significant Accounting Policies

The accounting policies of the Township of Hamburg (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of Hamburg:

Reporting Entity

The Township is governed by an elected seven-member board of trustees. As required by accounting principles generally accepted in the United States of America, these financial statements present the Township of Hamburg and its component unit. The individual component unit discussed below is included in the Township's reporting entity because of the significance of its operational or financial relationship with the Township.

The Hamburg Township Library (the "Library") is reported within the component unit column in the combined financial statements. It is reported in a separate column to emphasize that it is accounted for separately from the Township. The Library was created to provide library services, including book loans, to Township residents. The Library's governing body, which consists of six individuals, is elected by Township residents. The Library itself is not a separately incorporated fiscal entity.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from the business-type activities, which relies to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, the proprietary fund, and the fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and the major Enterprise Fund are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, including state-shared revenue. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Township of Hamburg

Notes to Financial Statements June 30, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Police and Fire Funds are full-service departments whose main source of revenue comes from voter-approved millages on all real property. The funds provide safety, fire suppression, fire prevention, and emergency medical services in the Township.

The Capital Improvement Building Debt Service Fund is a Debt Service Fund whose main source of revenue comes from a voter-approved millage and operating transfers from various Township funds.

The Capital Projects Fund receives its funding from incoming transfers from the General, Police, and Fire Funds. These transfers support capital projects in progress.

The Township reports the Sewer Fund as its major proprietary fund. This fund accounts for the results of operations that provide sewer services to citizens, and is financed primarily by a user charge for the provision of those services.

The Township also reports the Water System Fund as a major proprietary fund. This fund accounts for the construction and results of operations that are associated with the development of a water system. The fund is currently financed through the issuance of debt, which will be ultimately paid by a user charge for the provision of water distribution services.

Additionally, the Township reports an Agency Fund. The Agency Fund accounts for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

Township of Hamburg

Notes to Financial Statements June 30, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exception to this general rule relates to charges between the Township's sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with proprietary funds' principal ongoing operations. The principal operating revenue of the proprietary Sewer Fund relates to charges to customers for sewer services. The Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for the proprietary fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

The taxable valuation of the Township totaled approximately \$1.045 billion. Property taxes are levied on each December 1 on the valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed and liens issued.

The Township's approximate property tax levy for the year ended June 30, 2008 was as follows:

	<u>Millage Rate</u>	<u>Levy</u>
Operating	0.8442	\$ 879,000
Police	0.9241	963,000
Fire	0.8839	921,000
Fire debt	0.3963	414,000
Library debt	0.4563	474,000
Total	<u>3.5048</u>	<u>\$ 3,651,000</u>

In addition, the component unit's taxable value is approximately \$1.045 billion at a millage rate of 0.4418 mills, resulting in taxes levied of approximately \$463,000 for its operations.

Township of Hamburg

Notes to Financial Statements June 30, 2008

Note I - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Inventory - Inventory in the Enterprise Funds is valued at cost, on a first-in, first-out basis, which approximates market value.

Restricted Assets - Restricted assets in the Sewer Fund consist of cash and cash equivalents restricted for debt payments.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year for non-computer related assets and \$500 for computer equipment. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Governmental activities:

Buildings and improvements	10-50 years
Machinery and tools	5-10 years
Vehicles, boats, and related equipment	3-7 years
Office furnishings and equipment	3-10 years
Leasehold improvements	50 years

Business-type activities:

Utility system	10-50 years
Treatment plant	7-50 years
Equipment	3-25 years

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Other accounting policies are disclosed in other notes to financial statements.

Township of Hamburg

Notes to Financial Statements June 30, 2008

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated five banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all of the above-mentioned investment vehicles.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$6,507,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township does not have a policy for custodial credit risk. At year end, the Township held its uninsured and unregistered investments in U.S. agency bonds and notes held by a counterparty with a carrying value of \$2,916,352.

Note 2 - Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the weighted average maturities of investments in U.S. agency bonds and notes with a carrying value of \$2,916,352 are 44.1 months.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of the securities held by the Township totaling approximately \$2,917,000 in U.S. agency bonds and notes are AAA. In addition \$3,026,842 of pools or 2a7-like funds are AAA.

Concentration of Credit Risk

The Township places no limit on the amount the Township may invest in any one issuer. The investments held by the Township with a 5 percent or more balance of total investments at year end are FHLB securities in the amount of \$747,893, which represents 5.82 percent of total investments.

Component Unit

As of June 30, 2008, the Library's book balance of its deposits and investments was \$1,539,749, including \$325 in petty cash. The bank balance was \$1,540,088, of which \$1,369,855 was uninsured and uncollateralized.

Credit Risk

State law limits investments in commercial paper, corporate bonds, and mutual funds to the top two ratings issued by nationally recognized statistical rating organizations. The Library has no investment policy that would further limit its investment choices.

Note 2 - Deposits and Investments (Continued)

Interest Rate Risk

The Library does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk

The Library's investment policy places no limit on the amount the Library may invest in any one issuer.

Note 3 - Deferred Revenue

On the fund-based statements, governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. The proprietary fund reports deferred revenue only for amounts which are not yet earned. At the end of the current fiscal year, deferred revenue consists solely of special assessments in the governmental funds, which are unavailable as of June 30, 2008.

Township of Hamburg

Notes to Financial Statements June 30, 2008

Note 4 - Interfund Receivables, Payables, Advances, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Capital Projects Fund	\$ 5,775
	Other nonmajor governmental funds	80,441
Total General Fund		86,216
Police Special Revenue Fund	General Fund	14,001
Capital Projects Fund	Fire Special Revenue Fund	2,657
	Other nonmajor governmental funds	500
Total Capital Projects Fund		3,157
Other nonmajor governmental funds	General Fund	18,072
Sewer Fund	Water Fund	2,059
	Other nonmajor governmental funds	14,649
Total Sewer Fund		16,708
Total		<u>\$ 138,154</u>

Advances to/from Other Funds

General Fund	Water System Fund	<u>\$ 805,237</u>
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These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Township of Hamburg

Notes to Financial Statements June 30, 2008

Note 4 - Interfund Receivables, Payables, Advances, and Transfers (Continued)

Interfund advances reported in the fund financial statements are related to the purchase of the water system assets and payment of the related debt. The advance is due from the Water System Fund to the General Fund, with payment due once the system generates revenues from the user charge for the provision of water services.

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Police Fund (1) (2)	\$ 801,774
	Capital Improvement Building Debt (3)	156,834
	Capital Projects Fund (1)	68,071
	Other nonmajor governmental funds (1)	24,956
	Water Fund (1)	92,902
	Total General Fund	1,144,537
Fire Fund	Capital Improvement Building Debt (3)	154,612
Police Fund	Capital Improvement Building Debt (3)	182,207
	Other nonmajor governmental funds (1)	15,000
	Total Police Fund	197,207
Capital Projects Fund	General Fund (1)	13,128
	Fire Fund (1)	725,894
	Total Capital Projects Fund	739,022
Other nonmajor governmental funds	General Fund (2)	27,578
	Police Fund (2)	167,033
	Capital Projects Fund (1)	11,721
	Other nonmajor governmental funds (1)	62,932
	Total nonmajor governmental funds	269,264
	Total	\$ 2,504,642

- (1) Transfers for capital improvements
- (2) Transfers for general operations
- (3) Transfers for debt service

Township of Hamburg

Notes to Financial Statements June 30, 2008

Note 5 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance July 1, 2007	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2008
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 1,066,094	\$ -	\$ -	\$ -	\$ 1,066,094
Construction in progress	479,991	(301,284)	1,910,939	-	2,089,646
Subtotal	1,546,085	(301,284)	1,910,939	-	3,155,740
Capital assets being depreciated:					
Buildings and improvements	9,373,392	161,902	146,540	-	9,681,834
Machinery and tools	502,607	-	26,513	-	529,120
Vehicles, boats, and related equipment	1,002,417	88,387	192,328	16,040	1,267,092
Leasehold improvements	628,732	50,995	7,258	-	686,985
Office furnishings and equipment	928,586	-	15,857	1,500	942,943
Subtotal	12,435,734	301,284	388,496	17,540	13,107,974
Accumulated depreciation:					
Buildings and improvements	2,350,448	187	278,606	-	2,628,867
Machinery and tools	293,461	-	67,258	-	360,719
Vehicles, boats, and related equipment	741,920	(187)	169,560	9,228	902,439
Leasehold improvements	14,887	-	13,739	-	28,626
Office furnishings and equipment	620,344	-	105,398	1,500	724,242
Subtotal	4,021,060	-	634,561	10,728	4,644,893
Net capital assets being depreciated	8,414,674	301,284	(246,065)	6,812	8,463,081
Net capital assets	\$ 9,960,759	\$ -	\$ 1,664,874	\$ 6,812	\$ 11,618,821

Township of Hamburg

Notes to Financial Statements June 30, 2008

Note 5 - Capital Assets (Continued)

	Balance July 1, 2007	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2008
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 1,303,361	\$ -	\$ -	\$ -	\$ 1,303,361
Construction in progress	1,201,944	-	19,727	-	1,221,671
Subtotal	2,505,305	-	19,727	-	2,525,032
Capital assets being depreciated:					
Utility system	25,064,642	-	110,283	-	25,174,925
Treatment plant	4,477,586	-	25,431	-	4,503,017
Equipment	3,463,104	-	97,778	14,357	3,546,525
Subtotal	33,005,332	-	233,492	14,357	33,224,467
Accumulated depreciation:					
Utility system	5,405,149	-	470,111	-	5,875,260
Treatment plant	652,738	-	242,755	-	895,493
Equipment	741,759	-	28,641	14,357	756,043
Subtotal	6,799,649	-	741,507	14,357	7,526,796
Net capital assets being depreciated	26,205,683	-	(508,015)	-	25,697,671
Net capital assets	\$ 28,710,988	\$ -	\$ (488,288)	\$ -	\$ 28,222,703

Capital asset activity for the Township's component units for the year was as follows:

	Balance July 1, 2007	Additions	Balance June 30, 2008
Component Unit - Library			
Capital assets being depreciated:			
Buildings and improvements	\$ 61,778	\$ 22,771	\$ 84,549
Computer equipment	62,146	-	62,146
Library circulation materials	683,314	37,023	720,337
Subtotal	807,238	59,794	867,032
Accumulated depreciation	573,104	36,875	609,979
Net capital assets	\$ 234,134	\$ 22,919	\$ 257,053

Township of Hamburg

Notes to Financial Statements June 30, 2008

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the Township as follows:

Governmental activities:

General government	\$ 100,722
Public safety	345,218
Public works	5,723
Recreation and culture	<u>182,898</u>
Total governmental activities	<u>\$ 634,561</u>

Note 6 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Township of Hamburg

Notes to Financial Statements June 30, 2008

Note 6 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General obligation bonds:							
Series 2000 UTGO Bonds:							
Amount of issue - \$3,450,000		\$425,000 -					
Maturing through 2010	4.625%-4.70%	\$500,000	\$ 1,400,000	\$ -	\$ (425,000)	\$ 975,000	\$ 475,000
Fire Station Construction Bonds:							
Amount of issue - \$3,500,000		\$275,000-					
Maturing through 2016	5.00%	\$550,000	-	3,500,000	(325,000)	3,175,000	275,000
Bank notes:							
Mausoleum debt:							
Amount of issue - \$250,000		\$11,501-					
Maturing through 2022	4.55%	\$22,472	250,000	-	(250,000)	-	-
Fire truck:							
Amount of issue - \$306,754		\$344 -					
Maturing through 2012	4.15%-4.49%	\$48,632	230,601	-	(230,601)	-	-
2006 Special Assessment:							
Amount of issue - \$303,855		\$39,486					
Maturing through 2014	4.55%	\$49,513	266,151	-	(266,151)	-	-
2006 Special Assessment:							
Amount of issue - \$307,310		\$26,002					
Maturing through 2017	4.55%	\$37,342	282,494	-	(282,494)	-	-
Special assessment bonds:							
1997 Limited Tax G.O.:							
Amount of issue - \$710,000		\$35,000 -					
Maturing through 2017	4.90%- 5.50%	\$45,000	415,000	-	(35,000)	380,000	40,000
2004 Special Assessment:							
Amount of issue - \$5,660,000							
Portion related to governmental activities - \$95,755		\$4,652-					
Maturing through 2023	3.50%-4.65%	\$5,075	79,266	-	(5,076)	74,190	5,070
2007 Special Assessment:							
Amount of issue - \$170,000		\$18,889					
Maturing through 2017	4.61%		-	170,000	-	170,000	18,889
Notes payable:							
Construction installment note:							
Amount of issue - \$3,800,000		\$26,147 -					
Maturing through 2010	5.25%-5.75%	\$455,954	1,298,389	-	(432,229)	866,160	455,954
Installment purchase agreement:							
Mausoleum debt:							
Amount of issue - \$244,158		\$11,625 -					
Maturing through 2022	4.617%	\$21,906	-	244,158	(21,906)	222,252	11,625
Michigan Transportation Fund Note:							
Amount of issue - \$192,382							
Maturing through 2012	4.125%-4.35%	\$19,238	96,191	-	(19,238)	76,953	19,238
Total bonds, installment obligations, and notes			4,318,092	3,914,158	(2,292,695)	5,939,555	1,300,776
Compensated absences	N/A	N/A	412,692	406,352	(412,692)	406,352	291,804
Total governmental activities			\$ 4,730,784	\$ 4,320,510	\$ (2,705,387)	\$ 6,345,907	\$ 1,592,580

Township of Hamburg

Notes to Financial Statements June 30, 2008

Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activity - Water and Sewer							
Special assessment bonds:							
1992 Limited Tax G.O.:							
Amount of issue - \$1,590,000		\$85,000 -					
Maturing through 2012	2.00%	\$90,000	\$ 435,000	\$ -	\$ (85,000)	\$ 350,000	\$ 85,000
1998 Series 1998:							
Amount of issue - \$430,000		\$20,000 -					
Maturing through 2018	4.35%-5.00%	\$25,000	240,000	-	(25,000)	215,000	25,000
1999 Series 1999:							
Amount of issue - \$4,580,000		\$295,000 -					
Maturing through 2014	4.90%-5.25%	\$320,000	2,140,000	-	(320,000)	1,820,000	315,000
2001 Series 2001:							
Amount of issue - \$6,575,000		\$325					
Maturing through 2021	4.30%-6.50%	\$450,000	5,300,000	-	(325,000)	4,975,000	325,000
2004 Special Assessment:							
Amount of issue - \$5,660,000							
Portion related to business-type activity - \$5,564,245		\$270,348 -					
Maturing through 2023	3.50%-4.65%	\$294,925	4,605,740	-	(294,925)	4,310,815	294,930
Bank notes:							
2004 Special Assessment:							
Amount of issue - \$100,000		\$3,286-					
Maturing through 2017	4.55%	\$65,835	96,871	-	(96,871)	-	-
Revenue bonds:							
2007 Wastewater Treatment Plant:							
Amount of issue - \$4,590,000		\$150,000 -					
Maturing through 2027	3.60%-4.20%	\$325,000	4,590,000	-	-	4,590,000	170,000
2002 Water System Project:							
Amount of issue - \$2,000,000		\$25,000 -					
Maturing through 2032	4.50%-5.00%	\$125,000	1,950,000	-	(25,000)	1,925,000	25,000
Installment purchase agreements:							
Amount of issue - \$736,629		\$71,068 -					
Maturing through 2013	3.25%	\$83,621	463,322	-	(71,068)	392,254	73,451
Total bonds and installment purchase agreements			19,820,933	-	(1,242,864)	18,578,069	1,313,381
Compensated absences	N/A	N/A	7,203	10,386	(7,203)	10,386	3,427
Total business-type activities			\$ 19,828,136	\$ 10,386	\$ (1,250,067)	\$ 18,588,455	\$ 1,316,808

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activity - Sewer		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 1,300,776	\$ 262,874	\$ 1,563,650	\$ 1,313,381	\$ 813,844	\$ 2,127,225
2010	1,279,453	201,437	1,480,890	1,305,796	755,090	2,060,886
2011	447,101	146,864	593,965	1,383,296	700,172	2,083,468
2012	471,544	127,286	598,830	1,375,863	642,722	2,018,585
2013-2017	2,316,306	302,985	2,619,291	5,568,241	2,395,610	7,963,851
2018-2022	119,719	17,933	137,652	4,836,143	1,203,071	6,039,214
2023-2027	4,656	216	4,872	2,195,349	376,952	2,572,301
2028-2032	-	-	-	600,000	77,500	677,500
Total	\$ 5,939,555	\$ 1,059,595	\$ 6,999,150	\$ 18,578,069	\$ 6,964,961	\$ 25,543,030

Township of Hamburg

Notes to Financial Statements June 30, 2008

Note 6 - Long-term Debt (Continued)

Revenue Bonds - The Township has pledged substantially all revenue of the Water and Sewer Funds, net of operating expenses, to repay the above water and sewer revenue bonds. Proceeds from the bonds provided financing for the construction of the wastewater treatment plant and the water system through Livingston Community Water Authority. The bonds are payable solely from the net revenues of the water and sewer systems. The remaining principal and interest to be paid on the bonds total \$3,297,888 for the water system and \$6,855,488 for the sewer system. During the current year, the net operating loss of the sewer system was \$1,085,151 compared to the annual debt requirements of \$110,413 related to revenue bonds. The water system had no operating income or expenses and had debt requirements of \$118,438 related to revenue bonds for the year ended June 30, 2008.

Defeased Debt - In prior years, the Township defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2008, \$2,400,000 of bonds outstanding are considered defeased.

Subsequent Event - On July 1, 2008, the Township closed on new Unlimited Tax General Obligation Bonds for Phase I of the water project. The bonds, totaling \$1,455,000 at an interest rate of 3 percent to 5 percent, are payable through 2028.

Component Unit - Library - Long-term debt of the component unit consists of compensated absences totaling \$21,164. The liability increased from the prior year by \$908.

Note 7 - Defined Contribution Pension Plan

The Township provides pension benefits to all of its full-time employees, except police officers, through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township board, the Township contributes 10 percent of employees' gross earnings. In accordance with these requirements, the Township contributed approximately \$157,000 during the year.

Note 8 - Defined Benefit Pension Plan

Plan Description

The Township participates in the Michigan Municipal Employees' Retirement System (MMERS), an agent multiple-employer system that is available to command officers and to all police patrol employees of the Township. MMERS provides retirement benefits and disability and death benefits to plan members and their beneficiaries. MMERS issues a publicly available financial report that includes financial statements and required supplementary information for MMERS. That report may be obtained by writing to MMERS at 1134 Municipal Way, Lansing, MI 48917.

Contributions

The obligation to contribute to and maintain MMERS for these employees was established by negotiation with the Township's competitive bargaining units. The police patrol employees' agreement requires employees to contribute 3 percent of wages in the first year and 4 percent of wages in subsequent years. The Township is responsible for the remainder of the cost of the plan.

Township of Hamburg

Notes to Financial Statements June 30, 2008

Note 8 - Defined Benefit Pension Plan (Continued)

Annual Pension Cost

For the year ended June 30, 2008, the Township's annual pension cost of \$151,993 for the plan was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8.0 percent per year compounded annually, (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases of 0 percent to 8.4 percent per year, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5 percent per year (annually) after retirement. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

Three-year trend information as of June 30 is as follows:

	Fiscal Year Ended June 30		
	2008	2007	2006
Annual pension costs (APC)	\$ 151,993	\$ 106,951	\$ 112,979
Percentage of APC contributed	100%	100%	100%

	As of December 31		
	2007	2006	2005
Actuarial value of assets	\$ 996,097	\$ 823,230	\$ 659,459
Actuarial accrued liability (AAL) (entry age)	\$ 2,343,589	\$ 1,879,500	\$ 1,575,683
Unfunded AAL (UAAL)	\$ 1,347,492	\$ 1,056,270	\$ 916,224
Funded ratio	42.5%	43.8%	41.9%
Covered payroll	\$ 888,049	\$ 878,867	\$ 783,856
UAAL as a percentage of covered payroll	152%	120%	117%

Township of Hamburg

Notes to Financial Statements June 30, 2008

Note 9 - Investments in Joint Ventures

The Township is a member of the Portage - Base Lakes Area Water and Sewer Authority (the "Authority"), which provides sewer services to the residents of Hamburg, Dexter, Putnam, and Webster Townships. The residents of the participating communities provide annual funding for its operations via sewer billings. The Township is unaware of any circumstance that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Authority can be obtained from the administrative offices at 10405 Merrill Road, Hamburg, Michigan. The investment is recorded in the governmental activities and is calculated as 35.3 percent of the Authority's year-end fund balance at March 31, 2008.

The Township is a member of the Livingston Community Water Authority (the "Water Authority"), which will provide water services to the residents of Hamburg, Brighton, and Green Oak Townships. Once services are provided, the participating communities will provide annual funding for its operations via water billings. As of June 30, 2008, the Water Authority had not yet begun providing service to the Township residents. The Township is unaware of any circumstances that would cause an additional financial benefit or burden to the participating governments in the near future. The investment is recorded in the business-type activity - water system at June 30, 2008.

Note 10 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical, dental, and optical benefits provided to employees. The Township has purchased commercial insurance for employee injuries, medical, dental, and optical claims, and participates in the Michigan Municipal Risk Management Authority for claims relating to property and general liability. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Michigan Municipal Risk Management Authority itself.

Township of Hamburg

Notes to Financial Statements June 30, 2008

Note 11 - Assets Restricted for Capital and Debt

Restricted assets in the Sewer and Water System Enterprise Funds as June 30, 2008 consist of the following:

	Sewer	Water System
Bank deposits and investments	\$ 6,999,141	\$ 13,387
Special assessment receivables:		
Current	1,320,619	111,482
Long-term	7,583,453	1,400,135
Total	\$ 15,903,213	\$ 1,525,004

These assets are restricted specifically for various capital improvements as well as the payment of the related debt.

Note 12 - Postemployment Benefits

The Township established the Hamburg Township Post Employment Medical Expense Reimbursement Plan and Section 115 Trust effective May 1, 2007 for the purpose of providing health insurance benefits approved by a collective bargaining agreement with the Michigan Association of Police. The plan covers all collectively bargained police employees upon retirement. The plan constitutes a "voluntary employees' beneficiary association" (VEBA) under Section 501(c)(9) of the Internal Revenue Code of 1986. Beginning in 2007, the Township is required to make annual contributions to the plan based on each eligible employee's years of service. The Township contributed \$49,182 to the plan during the year ended June 30, 2008. Participant contributions are not required and participants become 100 percent vested in the plan after completing 10 years of service.

Note 13 - Upcoming Reporting Change

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

Township of Hamburg

Notes to Financial Statements June 30, 2008

Note 14 - Restatement

The Library's net assets as of June 30, 2007 have been restated to reflect the capitalization of library collection materials as follows:

Net assets at June 30, 2007, as previously stated	\$ 1,619,423
Library collection materials, net of accumulated depreciation	<u>144,776</u>
Net assets at June 30, 2007, restated	<u>\$ 1,764,199</u>

Required Supplemental Information

Township of Hamburg

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 2,435,027	\$ 2,435,027	\$ 2,435,027	\$ (331,544)
Revenues and Transfers In				
Property taxes	882,732	882,732	878,907	(3,825)
Special assessments	-	-	51,025	51,025
Licenses and permits	214,800	243,058	357,972	114,914
State sources	1,389,111	1,426,526	1,437,832	11,306
Charges for services	651,399	662,888	660,193	(2,695)
Interest and other	134,899	133,509	122,405	(11,104)
Operating transfers in	-	-	40,706	40,706
Total revenues and transfers in	3,272,941	3,348,713	3,549,040	200,327
Expenditures and Transfers Out				
Legislative - Township board	97,604	97,604	131,703	(34,099)
General government:				
Township supervisor	121,445	123,126	123,037	89
Elections	20,715	20,715	26,321	(5,606)
Accounting	172,020	160,113	157,978	2,135
Assessor	278,807	282,972	280,233	2,739
Clerk	228,087	233,221	225,845	7,376
Board of review	1,777	1,777	2,106	(329)
Treasurer	161,641	162,692	159,328	3,364
Township building and grounds	265,701	267,235	286,001	(18,766)
Cemetery	29,717	29,717	18,344	11,373
Unallocated	311,632	318,282	280,997	37,285
Environmental review board	17,527	17,527	16,958	569
Total general government	1,609,069	1,617,377	1,577,148	40,229
Public safety:				
Planning commission	81,265	81,265	40,235	41,030
Zoning administrator	223,118	167,460	169,878	(2,418)
Zoning board of appeals	8,268	8,268	3,733	4,535
Total public safety	312,651	256,993	213,846	43,147
Public works:				
Street lighting	12,500	12,500	12,168	332
Mapping	162,357	164,021	162,761	1,260
Utility/SAD department	67,455	67,924	68,989	(1,065)
Total public works	242,312	244,445	243,918	527

Township of Hamburg

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures and Transfers Out (Continued)				
Health and welfare	\$ 79,866	\$ 81,553	\$ 79,634	\$ 1,919
Recreation and cultural - Recreation board	32,771	32,771	32,139	632
Debt service	-	-	268,858	(268,858)
Other uses - Operating transfers out	890,741	1,073,623	1,144,537	(70,914)
Total expenditures and transfers out	3,265,014	3,404,366	3,691,783	(18,559)
Fund Balance - End of year	\$ 2,442,954	\$ 2,379,374	\$ 2,292,284	\$ (87,090)

Township of Hamburg

Required Supplemental Information Budgetary Comparison Schedule Police Special Revenue Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 39	\$ 39	\$ 39	\$ 41,115
Revenues and Transfers In				
Property taxes	965,731	965,731	962,918	(2,813)
Federal sources	-	-	15,297	15,297
Charges for services	10,700	10,700	11,823	1,123
Fines and forfeitures	23,000	23,000	15,966	(7,034)
Interest and other	10,000	10,000	6,806	(3,194)
Proceeds from sale of capital assets	500	500	422	(78)
Operating transfers in	899,500	948,009	968,807	20,798
Total revenues and transfers in	1,909,431	1,957,940	1,982,039	24,099
Expenditures and Transfers Out				
Public safety	1,727,056	1,744,893	1,783,550	(38,657)
Transfers	182,207	182,207	197,207	(15,000)
Total expenditures and transfers out	1,909,263	1,927,100	1,980,757	(53,657)
Fund Balance - End of year	<u>\$ 207</u>	<u>\$ 30,879</u>	<u>\$ 1,321</u>	<u>\$ (29,558)</u>

Township of Hamburg

Required Supplemental Information Budgetary Comparison Schedule Fire Special Revenue Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 506,338	\$ 506,338	\$ 506,338	\$ (452,255)
Revenues and Transfers In				
Property taxes	923,720	923,720	920,950	(2,770)
Interest and other	32,787	32,787	22,928	(9,859)
Federal sources	-	-	2,027	2,027
Transfer from other funds	1,000	1,000	725,894	724,894
Total revenues and transfers in	957,507	957,507	1,671,799	714,292
Expenditures and Transfers Out				
Public safety	672,928	682,218	782,806	(100,588)
Debt service	-	-	229,052	(229,052)
Transfers to other funds	279,612	279,612	154,612	125,000
Total expenditures and transfers out	952,540	961,830	1,166,470	(204,640)
Fund Balance - End of year	<u><u>\$ 511,305</u></u>	<u><u>\$ 502,015</u></u>	<u><u>\$ 1,011,667</u></u>	<u><u>\$ 509,652</u></u>

Township of Hamburg

Note to Required Supplemental Information June 30, 2008

Note - Budgetary Information

Budgetary Information - The annual budget is prepared by the Township supervisor and adopted by the Township board; subsequent amendments are approved by the Township board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2008 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles, with the exception of operating transfers and proceeds from issuance of long-term debt and sale of assets, which have been included in the "revenue" and "expenditures" categories, rather than omitted from the budget statement.

The budget has been adopted on a total fund basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Comparison of actual results of operations to the budgets of the General Fund, Police Fund, and Fire Fund as adopted by the Township board are included in the required supplemental information of the basic financial statements. The additional detail in this statement is shown in greater detail than the budget that was adopted and is used to provide additional analysis for management use only. A comparison of actual results of operations to the budgets for nonmajor Special Revenue Funds as adopted by the board is available at the Township hall for inspection.

Significant Budget Overruns - During the year, the Township of Hamburg incurred expenditures that were in excess of the amounts budgeted as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Township board	\$ 97,604	\$ 131,703	\$ (34,099)
Township building and grounds	267,235	286,001	(18,766)
Debt service	-	268,858	(268,858)
Other uses - Operating transfers out	1,073,623	1,144,537	(70,914)
Police Fund - Public safety	1,744,893	1,783,550	(38,657)
Fire Fund:			
Public safety	682,218	782,806	(100,588)
Debt service	-	229,052	(229,052)

Township of Hamburg

Note to Required Supplemental Information June 30, 2008

Note - Budgetary Information (Continued)

The General Fund budget overruns resulted from higher than expected legal fees (board), higher than expected salary and utilities (Township building and grounds), payoff of the Shan-gri-la road project loan (debt service), unexpected operating transfers for special assessment overages, and Police Fund operating expenses (transfers out). The Police Fund budget overrun for public safety was due to higher than expected vehicle and fuel costs. The Fire Fund budget overruns resulted from a vehicle purchase that was budgeted for in the 2007 fiscal year, but purchased in the 2008 fiscal year and the payoff of a loan for fire vehicles.

Other Supplemental Information

Township of Hamburg

	Special Revenue Funds				
	Road	Park Land Purchase	Training	Drug Law Enforcement	Capital Improvements
Assets					
Cash and investments	\$ 84,460	\$ 49,914	\$ 7,525	\$ 110,915	\$ 325,642
Account receivable - Special assessments	-	-	-	-	-
Due from other funds	-	-	-	-	1,000
Total assets	<u>\$ 84,460</u>	<u>\$ 49,914</u>	<u>\$ 7,525</u>	<u>\$ 110,915</u>	<u>\$ 326,642</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued and other liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	-	-	-	-	-
Fund Balances					
Reserved for future cemetery expenditures	-	-	-	-	-
Unreserved, reported in:					
Special Revenue Funds	84,460	49,914	7,525	110,915	326,642
Debt Service Funds	-	-	-	-	-
Capital Project Funds	-	-	-	-	-
Total fund balances	<u>84,460</u>	<u>49,914</u>	<u>7,525</u>	<u>110,915</u>	<u>326,642</u>
Total liabilities and fund balances	<u>\$ 84,460</u>	<u>\$ 49,914</u>	<u>\$ 7,525</u>	<u>\$ 110,915</u>	<u>\$ 326,642</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008**

Debt Service Funds						Capital Fund		
Mumford Park Debt Service Fund	Buhl Road Debt Service Fund	Huron Highland Road Improvement	Fire Station Debt Service	Tamarack Lake Sewer Debt Service Fund	Shan-gri-la Road Improvement Debt Service Fund	Maintenance SADs	Permanent Fund - Cemetery Perpetual Care	Total Nonmajor Governmental Funds
\$ 17,298	\$ 2,024	\$ 22,622	\$ 219,337	\$ 212,480	\$ 80,441	\$ 197,526	\$ 84,666	\$ 1,414,850
60,477	8,078	134,691	-	251,508	-	-	1,576	456,330
15,476	-	-	-	-	-	1,496	100	18,072
\$ 93,251	\$ 10,102	\$ 157,313	\$ 219,337	\$ 463,988	\$ 80,441	\$ 199,022	\$ 86,342	\$ 1,889,252
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,813	\$ 627	\$ 6,440
-	-	-	-	-	-	-	30	30
14,649	-	-	500	-	80,441	-	-	95,590
60,477	8,078	134,691	-	251,508	-	-	1,576	456,330
75,126	8,078	134,691	500	251,508	80,441	5,813	2,233	558,390
-	-	-	-	-	-	-	84,109	84,109
-	-	-	-	-	-	-	-	579,456
18,125	2,024	22,622	218,837	212,480	-	-	-	474,088
-	-	-	-	-	-	193,209	-	193,209
18,125	2,024	22,622	218,837	212,480	-	193,209	84,109	1,330,862
\$ 93,251	\$ 10,102	\$ 157,313	\$ 219,337	\$ 463,988	\$ 80,441	\$ 199,022	\$ 86,342	\$ 1,889,252

Township of Hamburg

	Special Revenue Funds				
	Road	Park Land Purchase	Training	Drug Law Enforcement	Capital Improvements
Revenue					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-
Fines and forfeitures	-	-	-	232,641	-
Charges for services	-	-	-	-	-
Interest and other	3,260	2,930	182	4,567	7,954
Total revenue	3,260	2,930	182	237,208	7,954
Expenditures					
General government	-	-	-	-	-
Public safety	-	-	-	10,118	-
Public works	14,000	-	-	-	-
Debt service	22,915	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	36,915	-	-	10,118	-
Excess of Revenue Over (Under) Expenditures	(33,655)	2,930	182	227,090	7,954
Other Financing Sources (Uses)					
Transfers in	-	-	-	15,000	-
Transfers out	-	-	-	(167,033)	-
Proceeds from long-term debt issue	-	-	-	-	-
Total other financing sources (uses)	-	-	-	(152,033)	-
Net Change in Fund Balances	(33,655)	2,930	182	75,057	7,954
Fund Balances - Beginning of year	118,115	46,984	7,343	35,858	318,688
Fund Balances - End of year	<u>\$ 84,460</u>	<u>\$ 49,914</u>	<u>\$ 7,525</u>	<u>\$ 110,915</u>	<u>\$ 326,642</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2008

Debt Service Funds						Capital Projects Fund	Permanent Fund - Cemetery	Total Nonmajor Governmental Funds
Mumford Park Debt Service Fund	Buhl Road Debt Service Fund	Huron Highland Road Improvement	Fire Station Debt Service	Tamarack Lake Sewer Debt Service Fund	Shan-gri-la Road Improvement Debt Service Fund	Maintenance SADs	Perpetual Care	
\$ -	\$ -	\$ -	\$ 413,584	\$ -	\$ -	\$ -	\$ -	\$ 413,584
7,464	1,094	34,412	-	45,774	-	58,604	-	147,348
-	-	-	-	-	-	-	-	232,641
-	-	-	-	-	-	-	45,214	45,214
610	9	2,366	8,922	10,190	-	12,076	2,923	55,989
8,074	1,103	36,778	422,506	55,964	-	70,680	48,137	894,776
-	-	-	-	-	-	-	7,473	7,473
-	-	-	-	-	-	-	-	10,118
-	-	-	-	-	-	-	-	14,000
8,490	-	311,241	306,968	57,120	-	-	-	706,734
-	-	-	-	-	-	239,546	-	239,546
8,490	-	311,241	306,968	57,120	-	239,546	7,473	977,871
(416)	1,103	(274,463)	115,538	(1,156)	-	(168,866)	40,664	(83,095)
15,476	-	62,932	-	-	-	9,480	-	102,888
-	-	-	-	-	(27,578)	(62,932)	(11,721)	(269,264)
-	-	170,000	-	-	-	-	-	170,000
15,476	-	232,932	-	-	(27,578)	(53,452)	(11,721)	3,624
15,060	1,103	(41,531)	115,538	(1,156)	(27,578)	(222,318)	28,943	(79,471)
3,065	921	64,153	103,299	213,636	27,578	415,527	55,166	1,410,333
<u>\$ 18,125</u>	<u>\$ 2,024</u>	<u>\$ 22,622</u>	<u>\$ 218,837</u>	<u>\$ 212,480</u>	<u>\$ -</u>	<u>\$ 193,209</u>	<u>\$ 84,109</u>	<u>\$ 1,330,862</u>

Township of Hamburg

Report to the Board of Trustees
June 30, 2008



Plante & Moran, PLLC
Suite 400
1000 Oakbrook Drive
Ann Arbor, MI 48104
Tel: 734.665.9494
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plantemoran.com

To the Board of Trustees
Township of Hamburg

We have recently completed our audit of the basic financial statements of the Township of Hamburg (the "Township") for the year ended June 30, 2008. In addition to our audit report, we are providing the following letter of increased audit communications, required audit communication, summary of unrecorded possible adjustments, recommendations, and informational comments which impact the Township:

	<u>Page</u>
Report on Internal Control	I
Results of the Audit	2-4
Summary of Unrecorded Possible Adjustments	5-6
Other Recommendations	7-9
Informational - Legislative Matters, etc.	10-17

We are grateful for the opportunity to be of service to the Township of Hamburg. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

October 30, 2008

Report on Internal Control

To the Board of Trustees
Township of Hamburg

In planning and performing our audit of the financial statements of the Township of Hamburg as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control:

- Journal entries were required during the audit to ensure the financial statement presentation was in conformity with generally accepted accounting principles. It should be noted that a number of these journal entries were related to transactions that were unusual and infrequent in nature.

This communication is intended solely for the information and use of management, the board of trustees, and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

Results of the Audit

October 30, 2008

To the Board of Trustees
Township of Hamburg

We have audited the financial statements of the Township of Hamburg for the year ended June 30, 2008 and have issued our report thereon dated October 30, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 25, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Township of Hamburg. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters dated September 2, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Hamburg are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008.

We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates noted.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedules summarize uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, the material misstatements detected as a result of audit procedures relating to the \$1.5 million special assessment revenue in the Water Fund and related to recording of debt proceeds in the governmental funds were corrected by management.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated October 30, 2008.

October 30, 2008

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In the normal course of our professional association with the Township, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Township, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Township's auditors.

This information is intended solely for the use of the board of trustees and management of the Township of Hamburg and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Michael J. Swartz", with a stylized flourish at the end.

Michael J. Swartz

To the Board of Trustees
Township of Hamburg

October 30, 2008

Client: **Township of Hamburg**
Opinion Unit: **Business-type Activities**
Y/E: **June 30, 2008**

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities	Net Assets	Revenue	Expenses
KNOWN MISSTATEMENTS:								
NONE								
ESTIMATE ADJUSTMENTS:								
BI	To capitalize construction period interest	\$	46,000					\$ (46,000)
IMPLIED ADJUSTMENTS:								
NONE								
		-	\$ -	\$ -	\$ -	\$ -	\$ -	-
	Total	<u>\$ 46,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (46,000)</u>

Client: **Township of Hamburg**
Opinion Unit: **Sewer Fund (Major Enterprise Fund)**
Y/E: **June 30, 2008**

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities	Net Assets	Revenue	Expenses
KNOWN MISSTATEMENTS:								
NONE								
ESTIMATE ADJUSTMENTS:								
BI	To capitalize construction period interest	\$	25,000					\$ (25,000)
IMPLIED ADJUSTMENTS:								
NONE								
		-	\$ -	\$ -	\$ -	\$ -	\$ -	-
	Total	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (25,000)</u>

To the Board of Trustees
Township of Hamburg

October 30, 2008

Client: **Township of Hamburg**
Opinion Unit: **Water Fund (Major Enterprise Fund)**
Y/E: **June 30, 2008**

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities	Net Assets	Revenue	Expenses
KNOWN MISSTATEMENTS:								
NONE								
ESTIMATE ADJUSTMENTS:								
BI	To capitalize construction period interest	\$	21,000					\$ (21,000)
IMPLIED ADJUSTMENTS:								
NONE								
Total		<u>\$ 21,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,000)</u>

Other Recommendations

Township of Hamburg

Other Recommendations

The following are other comments and recommendations made as a result of our audit for your review and consideration.

Financial Overview - General Fund and Sewer Fund

While the total fund balance of the General Fund continues to be substantial, the undesignated portion has declined significantly from the prior year. This decline results from the current year use of fund balance and the increased reserve required due to the increasing long-term advance to the Water Fund. We encourage the Township to proceed carefully here with long-term planning in mind. Keep mindful of the fact that six months of the winter 2008 tax collections are included in fund balance but are needed to support 2008/2009 operations. Additionally, since the Police Fund is subsidized by the General Fund, it could be argued that six months of the Police Fund property taxes should be included in the General Fund fund balance as well. These amounts would approximate \$920,000, leaving 10 percent to 15 percent of annual expenditures covered by truly unreserved, undesignated fund balance. Again, we encourage the Township to proceed with caution and consider implementing a financial plan of three to five years with the upcoming budget.

Upon examination of the Sewer Fund activities, it should be noted that sewer operations have used cash in excess of \$300,000 during the past fiscal year. It appears that this is due to the slowed expansion of the system, current year repairs that needed to be addressed, and inflationary pressures. As a reminder, your Wastewater Treatment Plant Revenue Refunding Bonds require that rates be set in a manner to provide for operations, maintenance, administration, debt service, and other costs of the system. The Township is currently in the process of reviewing rates and developing a model for use on an as-needed basis. We encourage the use of this model, once finalized, on an annual basis with the budget process. As a capital improvement plan is developed for the Sewer Fund, the use of this rate model should be expanded for a rate review over a three- to five-year time span.

Township of Hamburg

Other Recommendations (Continued)

Accounting and Recordkeeping Items

We would like to commend the Township staff on their hard work in preparing for the audit. Most of the audit schedules were ready upon our arrival at the Township and the fieldwork ran very smoothly. In addition, significant progress has been made at the Township related to implementing internal control suggestions that were made as a result of prior years' audits.

As a result of our examination, we offer the following comments and recommendations relating to the Township's accounting and recordkeeping procedures:

- We noted miscellaneous differences in net asset/fund balances from the prior year, which had to be corrected during the audit. We recommend that the fund balances per the trial balance be compared to the prior year audited financial statements and any differences corrected prior to the audit.
- Construction period interest is currently not being capitalized in the Water and Sewer Funds. We recommend that this be done on an annual basis.

Informational

Township of Hamburg

Informational

Revenue Sharing

The governor released her proposal of the State's fiscal year 2009 budget (for the year ending September 30, 2009) originally in February 2008. Over the course of budget deliberations in the spring and early summer, the legislature further debated the level of the revenue-sharing funding, resulting in a compromise by the Senate and House to fund revenue sharing equal to the projected fiscal year 2008 (fiscal year ended September 30, 2008) amounts, plus provide an increase of 2 percent of the statutory portion of revenue sharing received in fiscal year 2007. This proposal was presented to the governor on July 25 and is awaiting her signature.

Here is a summary (in millions of dollars) of the revenue-sharing budget submitted to the governor:

	Fiscal Year		Fiscal Year		Percent
	Fiscal Year 2007 Actual	2008 Projected	Fiscal Year 2009 Projected		Change
Cities, villages, and townships:					
Constitutional	\$ 665.980	\$ 682.780	\$ 675.992		-0.99%
Statutory	404.920	392.050	406.933		3.80%
Total cities, villages, and townships	1,070.900	1,074.830	1,082.925		0.75%
Counties (statutory)	-	-	2.394		N/A
Total revenue sharing	\$ 1,070.900	\$ 1,074.830	\$ 1,085.319		0.98%

While the projection is for an overall increase of 0.75 percent (for cities, villages, and townships), the impact will not be evenly distributed between all local units. Remember, the 2 percent increase is for the statutory portion only - not the constitutional portion. The intent is for the total revenue sharing (constitutional plus statutory) in fiscal year 2009 to equal the total of constitutional and statutory revenue sharing received in fiscal year 2008, plus an additional payment equal to 2 percent of the fiscal year 2007 statutory revenue sharing received by the local unit. That may mean that for those units (primarily townships) that now receive no statutory revenue sharing, total revenue sharing projected for fiscal year 2009 will be identical to the amounts received in fiscal year 2008. We are awaiting a final distribution table from the Michigan Department of Treasury.

Township of Hamburg

Informational (Continued)

The governor's proposed budget also included \$2.4 million to restore state revenue-sharing payments for the six qualifying counties that will exhaust their revenue-sharing reserve funds in fiscal year 2008/2009. As you may remember, a reserve fund was created for each county in 2005 when the State eliminated counties from the revenue-sharing program (remember, counties only receive statutory revenue sharing, not constitutional). In 2005, counties were required to phase in the early collection of winter property tax payments and to create a reserve fund with a portion of these monies. Counties have been drawing on their reserve funds to replace lost statutory revenue sharing. When the reserve fund is depleted, counties will then look to the State to re-enter the statutory portion of the revenue-sharing program. Prior to their elimination from the revenue-sharing program in 2005, counties statewide received approximately \$182 million annually.

It is encouraging that this budget funds revenue sharing at a higher level than last year. As counties have started to come back into the formula, the legislature has budgeted this as an additional payment, rather than one that reduces distributions to the other local units of government. To a great extent, however, actual revenue-sharing distributions will depend on the stability of the State's budget, as well as the actual level of state tax collections. In addition, we need to remember that the statutory formula expired in 2007 and a new, permanent formula has not been enacted - please remember to remind your state representatives of the importance of extending this legislation.

The table below details state-shared revenue for the Township since 2002 broken out by statutory and constitutional portions.

State Fiscal Year	Statutory	Constitutional	Total	Decrease from 2002
2002	\$ 275,587	\$ 1,344,544	\$ 1,620,131	\$ -
2003	234,627	1,366,858	1,601,485	18,646
2004	87,328	1,352,011	1,439,339	(180,792)
2005	39,374	1,384,276	1,423,650	(196,481)
2006	-	1,407,843	1,407,843	(212,288)
2007	-	1,378,590	1,378,590	(241,541)
2008	-	1,424,617	1,424,617	(195,514)
2009 est.	25,296	1,399,321	1,424,617	(195,514)

If the State were to eliminate the statutory portion of revenue sharing (as the constitutional portion cannot be modified without a change to the State's constitution), the Township has approximately \$25,000 at risk in its General Fund budget based on 2008 funding levels. In light of the current environment, we strongly encourage local governments to be conservative when budgeting or projecting the revenue-sharing line item.

Property Tax Developments

The front page story several months ago is now old news. For many communities in Michigan, the challenging real estate market will negatively change the taxable value trends of recent years. Many communities saw modest declines in their 2008 taxable values, and if the downward trend in the housing market continues, the impact will be larger next year. How it will actually play out in each community and over what period of time remains to be seen. While each community will need to carefully determine the impact of the current environment on its budget, there are also several pieces of legislation in Lansing that will impact property taxes going forward. Examples include the following:

- House Bill 4215 (Public Act 96 of 2008) allows property owners to obtain two principal residence exemptions in certain situations. The bill was designed for situations where a homeowner has purchased a new home and is unable to sell the existing home. The dual exemption only applies if certain conditions are met (i.e., the property previously occupied is for sale, not occupied, not leased, or available for lease, etc.).
- A series of bills were introduced in March 2007 as part of a package to stimulate home sales (House Bills 4440, 4441, and 4442). The lead bill of that package, House Bill 4440, establishes an 18-month moratorium on the “pop-up” or “uncapping” of taxable value to state-equalized value at the time of sale or transfer of a property. Property sales or transfers occurring in the timeframe of the moratorium would continue to pay property taxes at the previous taxable value amount. The “pop-up” or “uncapping” of taxable value would be delayed until the property was sold or transferred in later years. House Bill 4440 actually passed the House in March 2007 and is currently in the Michigan Senate.
- Many property owners continue to struggle with the concept that their individual taxable values actually increased during a time that overall property values - and even their individual property values - have fallen. As we all have relearned in recent months, that is a constitutional requirement that changed with Proposal A in 1994. It may be helpful to remember the principle behind Proposal A - its purpose was to disconnect taxable values from market value increases, and instead limit the growth in taxable values to the lesser of 5 percent or inflation, until that point that the property transfers ownership. Now that the market values are declining in many areas, Proposal A continues to stay disconnected, and allows the taxable value to increase by the lesser of 5 percent or inflation (up until the point that it reconnects with market values)

Township of Hamburg

Informational (Continued)

Fairly or not, this year, many property owners said it did not feel right when they saw their taxable value increase by inflation when market value did not. This has led to a discussion as to whether a third variable, called “change in market value,” needs to be added to the Proposal A formula. In what some are calling a “super cap,” the Proposal A formula to determine annual increases in taxable value (if property is not sold or transferred) would be the lesser of three components: inflation, change in market value, or 5 percent. Therefore, if the market value of the parcel was either flat or declining - even if the taxable value of the particular parcel was less than state equalized value - there would be no annual increase. To date, a proposal to accomplish this change has not moved through the legislature. A change of this nature would impact local government budgets.

- As part of the changes to the single business tax last year and the introduction of the Michigan business tax, changes were also made to the calculation of tax rates applicable to industrial and commercial personal property taxes. As advertised, industrial personal property taxpayers received a reduction of the school operating mills (up to 18 mills) and the 6 mill state education tax. Commercial personal property taxpayers received a reduction of up to 12 school operating mills. However, if your community has a school district with “hold harmless” school mills, you must add back any hold harmless millage prior to computing the total mills to be levied. This may generate questions from commercial and industrial taxpayers.
- A Michigan Supreme Court case has changed how local governments can treat public service improvements by developers. Leading up to the court case, as private property owners or developers installed public service improvements (i.e., such as street lights, water and sewer lines, etc.) there was normally an increase in their property tax assessment. The Michigan Supreme Court upheld a Court of Appeals ruling that the installation of public service improvements did not constitute a taxable addition.

Reminder - Change in Investment Act

Public Act 213 of 2007, adopted at the end of 2007, requires local governments to perform their investment reporting quarterly to the governing body. The investment of surplus monies by Michigan local governments is controlled by Public Act 20 of 1943. The act previously required investment reporting annually. It is suggested that the required quarterly reports list investments by institution along with maturity dates and interest rates.

Other Legislative Items

- As part of Michigan's new "Planning Enabling Act," many local governments will now be required to prepare an annual "capital improvements program." This new requirement is effective on September 1, 2008. According to Public Act 33 of 2008, a planning commission, after the adoption of a master plan, shall annually prepare a capital improvements program of public structures and improvements. The law does allow that if the planning commission is exempted from this requirement, the legislative body shall prepare and adopt a capital improvements program or delegate this responsibility to the administration of the local unit for the ultimate approval by the legislative body. The law provides that the capital improvement program report public structures and improvements that, in the community's judgment, will be needed or desirable within the next six years. The law also requires that the public structures and improvements included in the capital improvements program be prioritized. Townships that do not either individually or jointly own or operate a water supply or sewage disposal system are exempt from this requirement. In general, Plante & Moran, PLLC strongly encourages the development of a capital plan. While the law is restricted to "public structures and improvements," we strongly encourage the inclusion of all capital assets - vehicles, machinery and equipment, office furnishings, etc. In addition, we feel that the participation of the governing body (in addition to or instead of) the planning commission is good public policy.

This same public act added several other requirements of planning commissions, including annual reporting by the planning commission to the legislative body along with the mandatory creation of a master plan.

Multiple bills are pending in Lansing that would make changes to investment laws governing Michigan communities. Changes have been proposed to add different types of investments to what is commonly referred to as "Public Act 20" which governs the investment of surplus operating monies. Changes are also being proposed to the laws governing the investment of retirement monies.

- A bill is pending in the Michigan legislature regarding retainages held by governmental units. Retainages are a common method used by local governments in procurement, particularly in the area of construction contracts. The law change focuses on reducing the retainage amount that a local government could require and stipulate the payment of interest on these monies among other provisions.
- Efforts continue in the wake of the *Bolt* case to provide a means for local units of government to engage in rate making to finance the cost of utility operations, particularly that of storm water. Senate Bill 1249 has been introduced to address the tests included in the *Bolt* decision on whether a charge is really a fee or a tax.

Township of Hamburg

Informational (Continued)

- At the federal level, a 2005 law change continues to get more attention as its effective date approaches. As part of the Tax Increase Prevention and Reconciliation Act of 2005, a new mandate was introduced which will require any governmental entity spending more than \$100 million a year in goods and services to withhold 3 percent of government payments beginning in 2011. Governmental units subject to this requirement will also be subject to new reporting rules for applicable payments. Numerous groups - both public and private sector, including the U.S. Department of Defense - have expressed concerns on the cost and practicality of implementing this new mandate. A bill is pending in Congress to delay implementation by a year until January 2012.

Property Assessment Cap

As you recall, Proposal A limits the growth in taxable value to the lesser of inflation, or 5 percent. The inflation factor for this calculation is published by the State Tax Commission and is as follows:

2008	2.3%
2007	3.7%
2006	3.3%
2005	2.3%
2004	2.3%
2003	1.5%
2002	3.2%
2001	3.2%
2000	1.9%
1999	1.6%
1998	2.7%
1997	2.8%
1996	2.8%
1995	2.6%
1994	3.0%

Also, as you probably recall, the Headlee Amendment to the Michigan Constitution limits the amount of taxes that can be levied by the Township. In general terms, if growth on the Township's existing property tax base exceeds inflation for a particular year, the Headlee Amendment requires the Township to "roll back" its property tax rate to inflation. Prior to the passage of Proposal A in 1994, during years when the growth on the Township's existing property tax base was less than inflation, the Headlee Amendment allowed the Township to "roll up" its property tax rate and recover from years when the property tax rate was "rolled back."

However, subsequent to the passage of Proposal A and as a result of changes made to the State's General Property Tax Act, the Township is no longer allowed to "roll up" its property tax rate in years when growth on its existing tax base is less than inflation.

Township of Hamburg

Informational (Continued)

For the year ended June 30, 2008, the Township's Headlee maximum property tax rate for its operating levy was 0.8446 mills even though the Township Charter would allow the Township to levy 1.3 mills for operations. Because of changes made to the General Property Tax Act in 1994, this reduction in millage rate is permanent absent a Headlee override vote. Additionally, as demonstrated in several published studies and reports, due to definitional changes made to the General Property Tax Act in 1994, the treatment of uncapped values or the "pop-up" amount when a property is transferred or sold (as growth on existing property subject to the Headlee rollback calculation), will continue downward pressure on millage rates particularly given the significant gap that now exists between taxable value and state equalized value.

Municipal Finance Act Revisions - Reminder

The Municipal Finance Act was amended several years ago. Communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old 10-day "exemption from prior approval" process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for future debt issues. The current filing is due within six months of the Township's year end, December 30, 2008, and is good for one year thereafter. The Township should consider the need to file a qualifying statement for each of its component units.